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Who Are The Business Buyers & What Are They Looking For?

Bloomberg Businessweek and BizBuySell, the leading business for sale web site, recently conducted surveys answering the questions in the title above.

First, why do people want to own or start their own business?

According to Businessweek, when prospective buyers were asked, **“Why do you prefer working independently?”** the responses were:

- ◆ Like to have control over work
- ◆ Like to control when and how projects get done
- ◆ Dislike working with teammates who don't do their share
- ◆ Recognition is important to me
- ◆ Difficult to reach consensus in a team setting
- ◆ People who work independently get ahead

When BizBuySell asked, **“What are the primary reasons you are looking to purchase a business?”** the responses were:

- ◆ “Better income opportunity” (55 percent)
- ◆ “Be my own boss”
- ◆ “Better lifestyle”
- ◆ “Currently own and looking to expand”
- ◆ “Want a side business”

Who Are The Business Buyers & What Are They Looking For? (continued from cover)

The survey from BizBuySell.com also produced answers to some of the other questions asked about who the buyer is. For example:

- ◆ 75 percent stated that they were looking for businesses priced under \$500,000.
- ◆ 33 percent of those searching the web site for businesses were 18 to 34 years old; 42 percent were 35 to 49 years old and 21 percent were 50 years old plus.
- ◆ 43 percent were female, 57 percent male.
- ◆ Interestingly, 45 percent had previously purchased a business and 48 percent currently owned a business.
- ◆ When asked what type of business they were interested in and instructed to check any that apply, the results were as follows:
 - » Established Business 93%
 - » Pre-Owned Franchise 28%
 - » New Franchise 17%
 - » Start-up/Website 17%

The following search breakdown by type of business in order of interest (restaurants being first) is based on almost 850,000 searches. (Only the top 16 are listed.)

1. Restaurants
2. Gas Stations
3. Convenience Stores
4. Liquor Stores
5. Bars/Taverns
6. Dry cleaning/Laundries
7. Hotels & Other Lodging Places

8. Other Eating & Drinking Places
9. Beauty Salons, Barber Shops
10. Auto Repair, Parts & Services
11. Internet Businesses
12. Health, Medical & Dental
13. Manufacturing
14. Retailing Businesses
15. Supermarkets
16. Vending Machines

And finally, a very telling comment from the Bloomberg Businessweek article, concerning job loyalty: *"I'd rather know that I'm going to lay myself off than get blindsided by a boss and have security lead me out of the building."*

**"I'd rather know
that I'm going to lay
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A Listing Agreement is More Than Just a Piece of Paper

In order to sell one's business using the services of a business broker, a listing agreement is almost always required. For the owner of the business, signing the agreement legally authorizes the sale of the business. This simple act of signing represents the end of ownership. For some business owners, it means heading into uncharted territory after the business is sold. For many it also signifies the end of a dream. The business owner may have started the business from scratch and/or taken it to the next level. A little of the business owner may always be in that business. The business, in many cases, has been like a part of the family.

For buyers, the signed listing agreement is the beginning of a dream, an opportunity for independence and business ownership. The buyer looks at the business as the next phase in his or her life. Pride of ownership builds.

So, that simple piece of paper – the listing agreement – is the bridge for both the seller and the buyer. The business broker looks at that piece of paper through the eyes of both the buyer and the seller, working to help both parties progress through the business transaction process into the new phase of their lives.

Difficulties Sellers Encounter:

- ◆ Valuing the business
- ◆ Keeping the selling process confidential
- ◆ Structuring the deal
- ◆ Financing the deal
- ◆ Preparing documents
- ◆ Negotiating successfully
- ◆ Timing
- ◆ Dealing with buyers
- ◆ Being objective
- ◆ Running the business while trying to sell their business

What does the Business Broker do?

- ◆ Provide confidentiality
- ◆ Educate all parties on the business transaction process
- ◆ Create a marketing plan
- ◆ Create marketing tools
- ◆ Act as a buffer for questions and emotions
- ◆ Provide negotiation skills
- ◆ Help keep the momentum of the business transaction process both moving and moving forward
- ◆ Handle the selling process from start to finish

What Does a Seller Look for in a Buyer?

It's important when selling your business to prioritize what is important to you in the selling process. Following is a list of factors to review and even rate on a scale. You can circle the importance of each factor, on a 1 to 5 basis with 5 being the most important.

You may add and/or subtract factors so the list represents those most important to you. Obviously rating every single item a "5" is not realistic or helpful. You need to pick out what is most important to you in the selling process.

Factors	Most Important-----Least Important				
Buyer Qualifications	5	4	3	2	1
Full Price	5	4	3	2	1
Amount of Cash Involved	5	4	3	2	1
Financing	5	4	3	2	1
Confidentiality	5	4	3	2	1
Selling Fees	5	4	3	2	1
Closing Costs	5	4	3	2	1
Exclusive Listing	5	4	3	2	1
Length of Listing	5	4	3	2	1
How the Business is Shown	5	4	3	2	1
Advertising	5	4	3	2	1
How the New Owner Will Continue the Business	5	4	3	2	1
Other:	5	4	3	2	1
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When to Create an Exit Strategy

There is the old saying that the time to develop an exit strategy is the day you open for business. Sounds good, but it's not very realistic. Further, it also isn't very optimistic. On the day you open for business, thoughts about how you get out of it aren't pleasant, or helpful, thoughts. However, as you get the business to a place where you have a bit of extra time to plan, you will find that the things you need to do to improve your business are some of the very things you will need to work on to plan an exit strategy.

You can't predict misfortune, but you can plan for it. One never knows when an accident or illness will force one to sell. When the drive to your business becomes filled with dread, maybe it's time to consider selling. The following ideas will improve your business, even if you're not currently considering selling. Dealing with these areas will also supply the information a buyer will most likely be looking at when the time does come to sell.

Buyers want cash flow.

This, at least on the surface, is the thing a potential buyer will want to look at.

Appearances are important.

You may think everything about the business looks fine, but the two letters on the neon sign that don't work indicate to a possible buyer that the seller may have lost interest in the business, causing them to also wonder what else doesn't work or has been neglected.

There is probably more value than you think.

Business owners often don't look at things that do create real value such as: customer lists, secret recipes, specialized computer systems, programs, customer loyalty programs, etc.

Eliminate the surprises.

Make sure the lease is transferable and that your landlord is willing to cooperate. Resolve that issue with town hall. Resolve the problem with that angry customer. Minor problems and issues will often raise their ugly heads during sensitive times, spooking a possible buyer. So, the time to resolve them is before going to market.

